

Aldridge Publishes Policy on Adjustments to Cancelled DoD Appropriations



THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
ATTENTION: SERVICE ACQUISITION EXECUTIVES
DIRECTORS OF THE DEFENSE AGENCIES

01 OCT 2001

SUBJECT: Improper Adjustments to Cancelled Department of Defense Appropriations

The General Accounting Office (GAO) criticized DoD for a lack of adequate systems, internal controls, and managerial attention to ensure that adjustments affecting closed appropriations are legal and otherwise proper. GAO auditors asserted that the Military Departments used contract modifications to instruct the Defense Finance and Accounting Service to charge some payments to closed appropriations. The GAO further indicated that documentation supporting these adjustments did not adequately explain the underlying reasons for the adjustments. Because of these criticisms, the GAO recommends that I, as the Under Secretary of Defense (Acquisition, Technology and Logistics) issue policy guidance prohibiting contract modifications resulting in improper adjustments to contract payment terms. Additionally, the Under Secretary of Defense (Comptroller) requests that the acquisition community take appropriate action to prevent improper adjustments.

Accordingly, I request you make certain that all contracting activities have procedures in place that ensure compliance with the requirements of the Department's financial management policies, which currently preclude the improper adjustments identified by the GAO. Instructions for charging and processing adjustments to closed appropriation accounts are included in Volume 3, Chapter 10 of the Department of Defense Financial Management Regulation (DoD 7000.14-R). All contract modifications that include adjustments to closed appropriation accounts must be supported with contract file documentation sufficient to establish that the adjustments are legal and proper, and that they received supervisory review. The modifications must also be approved in writing by the appropriate level comptroller or financial resource manager.

Actions taken to comply with this direction must be completed within 60 days from the date of this memorandum. Any questions should be addressed to Mr. Richard Brown in Defense Procurement at (703) 695-7197, or Richard.G.Brown@osd.mil.


E.C. Aldridge, Jr.

